

Message Text

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ACTION AF-06

INFO OCT-01 ISO-00 TRSE-00 EB-07 AID-05 COME-00 FRB-03

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FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC PRIORITY 2200

C O N F I D E N T I A L KINSHASA 3271

C O R R E C T E D C O P Y (FOR AF ONLY DELETED)

E.O. 11652: GDS

TAGS: EFIN, CG

SUBJECT: ZAIRE'S FINANCAIL CRISIS: THE "EARLY
WARNING" PAPER

REF: STRAND-WALKER LETTER OF APRIL 14

1. DRAFT PAPER IS BASICALLY GOOD. FOLLOWING COMMENTS
AIM AT SHARPENING FIGURES.

A) SUMMARY: SHORT TERM COMMERCIAL DEBT SHOULD
READ \$550 MILLION--SINCE THERE HAS BEEN RUN-OFF
SINCE FIRST OF YEAR.

B) BALANCE OF PAYMENTS: COPPER PRICE SENTENCE
SHOULD SHOW "FROM A HIGH OF AROUND \$1.50 TO
55 CENT A POUND BY THE END OF 1974." SAME CHANGE
AS ABOVE IN SHORT TERM DEBT FIGURE AND SHOW ESTIMATED
LONG TERM EXTERNAL PUBLIC DEBT COMMITTED AS
\$2.6 BILLION ESTIMATED AND DRAWDOWNS AS OF OCTOBER 1974
AS \$1.8 BILLION.

C) ECONOMIC POLICY: PAGE 2. AFTER SENTENCE
" IN KINSHASA, GOZ REACTED BY IMPOSING..."
PARAGRAPH AS FOLLOWS: "A COMBINATION
OF THE CREDIT CUT-OFF FROM ABROAD AND THE GOZ'S
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IMPORT RESTRICTIONS HAVE LED TO A BREAK

IN THE IMPORT PIPELINE WHICH IS NOW AFFECTING
DELIVERIES, STOCK POSITIONS AND PRODUCTION.
PAGE 3 ON EXCHANGE RATE, REPLACE LAST SENTENCE
WITH SHORT-RUN GAINS TO BE MADE FROM A BALANCE OF
PAYMENTS POINT OF VIEW BY DEVALUATION ARE
UNCLEAR AND IN THE ABSENCE OF INTERNAL BUDGETARY
AND OTHER CONTROLS THE IMPACT WOULD FEED NOMINAL
INFLATION. FOR THESE REASONS THE ISSUE HAS
NOT BEEN PRESSED.

D) PAGE 4; LAST PARA, LINE 4--STRIKE PHRASE
"WITH DEBT-RESCHEDULING AS A PROBABLE ASPECT."
FINISH PARAGRAPH AS FOLLOWS: "THE IMF STAFF
SEES THE SOLUTION AS A "RESCHEDULING" OF THE
SHORT-TERM DEBT OF \$550 MILLION. IF BY THIS,
THE FUND MEANS THAT ZAIRE MUST FIND THE RESOURCES
TO MAKE SOME MINIMUM LEVEL OF PAYMENTS
ON THESE OUTSTANDINGS SO THAT COMMERCIAL BANKS
WILL SEE IT IN THEIR INTEREST TO CARRY A
SIZABLE FLOAT UNTIL THE COPPER PRICE TURNS
AROUND--THEN WE AGREE. WHAT IS EQUALLY IMPORTANT
IS THAT ZAIRE ORGANIZE ITS FOREIGN EXPENDITURES
IN SUCH A WAY THAT SERVICES PAYMENTS ON LONG-TERM DEBT
ARE MADE. THIS IS IMPORTANT FROM TWO
ASPECTS: FIRST, ZAIRE'S CREDIBILITY ON THE
LONG-TERM DEBT IS CRITICAL FOR THE
MAINTENANCE OF THE COUNTRY'S MAJOR DEVELOPMENT
PROJECTS AND SECONDLY, ZAIRE OWES THE USG
\$10 MILLION IN PAYMENTS IN 1975."
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